

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6517

BILL NUMBER: HB 1223

NOTE PREPARED: Dec 21, 2007

BILL AMENDED:

SUBJECT: Sales Tax Exemption for Road Material Recycling Equipment.

FIRST AUTHOR: Rep. Friend

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a sale of equipment designed to recycle road or highway material is exempt from the state Sales Tax.

Effective Date: July 1, 2008.

Explanation of State Expenditures: Implementing the Sales Tax exemption provided in this bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, procedures, and rules, as well as update computer software.

Explanation of State Revenues: This bill will cause an indeterminable decrease in state Sales Tax collections. The amount of the decrease will depend upon the amount of sales of equipment designed to recycle road or highway material.

The decrease in Sales Tax collections could be offset by any savings passed on by contractors that purchase this equipment and recycle road and highway material for a state or local unit of government. Furthermore, to the extent that sales of this equipment increase significantly due to the exemption, there could be an indeterminable offsetting increase in Adjusted Gross Income Tax collections. It is estimated the Sales Tax exemption could cause an increase in sales of this equipment to out-of-state residents that otherwise would not have occurred in Indiana.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Background: According to industrial equipment distributors and manufacturers, the price for the largest types of equipment used to recycle road or highway material can range from \$50,000 to \$500,000. The number of taxable sales occurring in Indiana is unknown due to a significant number of the sales of this equipment being made to state or local government entities that would not be liable for Sales Tax on the purchase.

Explanation of Local Expenditures: See *Explanation of State Revenues*.

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Various machinery distributors and manufacturers.

Fiscal Analyst: Adam Brown, 317-232-9854.